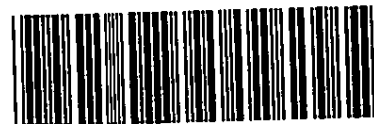


MOBILE MONEY NETWORK LIMITED

MOBILE MONEY NETWORK LIMITED

Annual report for the year ended 30 June 2013

Registered number 07153130



LD3 *L34MSDKY* #193
COMPANIES HOUSE

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OFFICERS AND PROFESSIONAL ADVISORS

Directors

The Directors at the time of signing of the financial statements were
R Waller
T Spurgeon

Secretary

Tom Spurgeon

Registered office

95 Gresham Street
London
EC2V 7NA

Bankers

Natwest Bank Plc
1-4 Berkeley Square House
Berkeley Square,
London
W1J 6BR

Independent auditors

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
1 Embankment Place
London
WC2N 6RH

DIRECTORS' REPORT

The Directors present their report and the audited financial statements of Mobile Money Network Limited ("the Company") for the year ended 30 June 2013. The Company's registered number is 07153130. The Directors' report contains certain forward looking statements. These statements are made by the Directors in good faith based on the information available to them up to the time of their approval of this report. Such statements should be treated with caution due to the inherent uncertainties, including both economic and business risk factors, underlying any such forward looking information.

The financial statements reflect the Company's results for the year ended 30 June 2013 ("the year") and comparative results for the year ended 30 June 2012.

This report has been prepared in accordance with the special provisions relating to small companies within Part 15 of the Companies Act 2006.

PRINCIPAL ACTIVITIES

Business description

The Company operates to offer a mobile commerce solution for the UK consumer.

The principal activity of the Company is the facilitation of purchases via mobile devices by consumers from affiliated UK businesses. This facility is delivered through the "Simply Tap" mobile application and associated white-labelled mobile applications.

The Directors intend to transfer the Company's trade to its parent company, Monitise International Limited, during 2013/14.

Strategy

The Company is focussed on the following strategic objectives:

- successful launch of initial product offerings to the market,
- enlarging the number of businesses who are part of the network, and
- delivering a continually innovative product which enhances the customer purchasing experience and delivers incremental sales to the businesses within the network.

REVIEW OF BUSINESS

The Company's results are set out in the Statement of comprehensive income on page 6. The Company performed in line with expectations through this initial launch phase. Losses for the financial year ended 30 June 2013 were £6,035,000 (30 June 2012: £7,704,000). On 10 December 2012 the Company was acquired in full by Monitise plc. The Company was subsequently transferred within the Monitise Group and is now 100% owned by its former joint venture partner, Monitise International Limited.

FINANCIAL RISK MANAGEMENT

Please see full disclosure in note 16.

DIRECTORS

The Directors who served during the year and up to the date of signing of the financial statements were:

T Spurgeon (Appointed 10 December 2012)

R Waller (Appointed 10 December 2012)

N Taylor (Appointed 10 December 2012, resigned 31 December 2012)

Sir S Rose (Resigned 10 December 2012)

J Hornby (Resigned 10 December 2012)

E Davies (Resigned 10 December 2012)

D Milliken (Resigned 10 December 2012)

DIRECTORS' REPORT (continued)

During the year, the Company has maintained liability insurance in respect of its Directors and Officers. Further, subject to the provisions of the Companies Act 2006, the Company's Articles of Association provide that the Directors are entitled to be indemnified against certain liabilities incurred in the execution or discharge of his or her duties.

DIVIDEND

The Company did not pay or propose dividends during the year (2012 nil)

DONATIONS

The Company made no charitable donations during the year (2012 £2,000)

POST-BALANCE SHEET EVENTS

There were no post balance sheet events that had a material impact on the financial statements

RESEARCH AND DEVELOPEMENT

The Company undertakes research and development activities relating to the products and services it provides. Disclosures regarding the expenditure and capitalisation of development costs in the year have been made in notes 1(h), 3 and 8 to the financial statements.

GOING CONCERN

The ability of the Company to continue as a going concern is dependent upon the continuing financial support of its ultimate parent company, Monitise plc. At the date of signing of the financial statements, Monitise plc, has confirmed its financial support to the Company to enable it to continue trading and meet its day to day commitments for at least 12 months from the date of signing the financial statements.

The Directors intend to transfer the Company's trade to its parent company, Monitise International Limited, during 2013/14.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the Directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that year. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently,
- make judgements and accounting estimates that are reasonable and prudent,
- state whether applicable International Financial Reporting Standards (IFRSs) as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

DIRECTORS' REPORT (continued)

Statement regarding the disclosure of information to auditors

In accordance with s418 of the Companies Act 2006, each Director who held office at the date of approval of this Directors' report confirms that

- so far as they are aware, there is no relevant audit information of which the Company's auditors are unaware, and
- the Director has taken all the steps that he ought to have taken as a Director in order to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information

By order of the Board



T Spurgeon
Director

26 March 2014

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MOBILE MONEY NETWORK LIMITED

We have audited the financial statements of Mobile Money Network Limited for the year ended 30 June 2013 which comprise the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity, the Statement of Cash Flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 30 June 2013 and of its loss and cash flows for the year then ended,
- have been properly prepared in accordance with IFRSs as adopted by the European Union, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit.



Nigel Reynolds (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
26 March 2014

STATEMENT OF COMPREHENSIVE INCOME
for the year ended 30 June 2013

		2013	2012
	Note	£'000	£'000
Revenue	2	166	138
Cost of sales		(10)	(86)
Gross profit		156	52
Operating expenses	3	(6,526)	(7,426)
Loss before interest and taxation	3	(6,370)	(7,374)
Finance costs	6	(231)	(333)
Finance income	6	2	4
Loss before income tax		(6,599)	(7,703)
Income tax	7	-	(1)
Loss for the financial year attributable to the owners of the Company		(6,599)	(7,704)
Other comprehensive income		-	-
Total comprehensive loss attributable to the owners of the Company		(6,599)	(7,704)

All amounts relate to continuing operations

BALANCE SHEET
 as at 30 June 2013

	Note	2013 £'000	2012 £'000
ASSETS			
Non-current assets			
Intangible assets	8	1,843	3,065
Property, plant and equipment	9	49	88
		<u>1,892</u>	<u>3,153</u>
Current assets			
Inventories	10	-	2
Trade and other receivables	11	54	382
Cash and cash equivalents	12	63	573
		<u>117</u>	<u>957</u>
Total assets		<u>2,009</u>	<u>4,110</u>
LIABILITIES			
Current liabilities			
Trade and other payables	14	(2,193)	(1,478)
Provisions	15	(87)	-
		<u>(2,280)</u>	<u>(1,478)</u>
Non-current liabilities			
Loans and other borrowings	13	-	(12,154)
Total liabilities		<u>(2,280)</u>	<u>(13,632)</u>
Net assets/(liabilities)		<u>(271)</u>	<u>(9,522)</u>
EQUITY			
Capital and reserves attributable to the owners of the Company			
Share capital	17	113	113
Share premium	17	15,835	-
Share-based payment reserve	18	15	-
Accumulated losses	18	(16,234)	(9,635)
Total equity		<u>(271)</u>	<u>(9,522)</u>

The financial statements of the Company on pages 6 to 26 were approved by the Board of Directors on 26 March 2014 and signed on its behalf by



T Spurgeon
Director

26 March 2014
 Mobile Money Network Limited
 Company number 07153130

The accompanying notes on pages 10 to 26 are an integral part of these financial statements

STATEMENT OF CHANGES IN EQUITY
for the year ended 30 June 2013

	Share Capital £'000	Share Premium £'000	Share-based payment reserve £'000	Accumulated losses £'000	Total equity £'000
As at 1 July 2011	100	-	-	(1,931)	(1,831)
Loss for the year and total comprehensive income	-	-	-	(7,704)	(7,704)
Issue of share capital	13	-	-	-	13
As at 30 June 2012	113	-	-	(9,635)	(9,522)
As at 1 July 2012	113	-	-	(9,635)	(9,522)
Loss for the year and total comprehensive income	-	-	-	(6,599)	(6,599)
Issue of share capital	-	15,835	-	-	15,835
Capital contribution relating to share-based payments	-	-	15	-	15
As at 30 June 2013	113	15,835	15	(16,234)	(271)

All equity is attributable to the owners of the Company

STATEMENT OF CASH FLOWS
 for the year ended 30 June 2013

	Note	2013 £'000	2012 £'000
Cash flows used in operating activities			
Cash used in operations	22	(4,425)	(7,080)
Net cash used in operating activities		(4,425)	(7,080)
Cash flows used in investing activities			
Interest received		2	4
Interest paid		(4)	(3)
Acquisition and capitalisation of intangible assets		-	(2,851)
Acquisition of property, plant and equipment		(2)	(23)
Net cash used in investing activities		(4)	(2,873)
Cash flows generated from financing activities			
Increase in loans from joint venture partners		3,127	8,539
Increase in loans from Group companies		792	-
Net cash generated from financing activities		3,919	8,539
Net decrease in cash and cash equivalents		(510)	(1,414)
Cash and cash equivalents at beginning of the year		573	1,987
Cash and cash equivalents at end of the year	12	63	573

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2013

1 Accounting policies

General information

Mobile Money Network Limited is a private limited company incorporated and domiciled in the United Kingdom under the Companies Act 2006. The nature of the Company's operations and its principal activities are set out in the Directors' report on pages 2 to 4. The financial statements were authorised for issue on 26 March 2014 and the Company's owners have the power to amend these financial statements after issue.

a) Basis of preparation

The financial statements of the Company have been prepared on a going concern basis in accordance with International Financial Reporting Standards ("IFRSs") and IFRIC interpretations as adopted for use in the European Union as applied in accordance with the provisions of the Companies Act 2006.

The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies.

The financial statements have been prepared on the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for the assets. The principal accounting policies have been applied consistently and are set out below.

Going Concern

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Directors' report on pages 2 to 4. In addition, note 16 to the financial statements includes the Company's objectives, policies and processes for managing its exposures to liquidity risk.

The ability of the Company to continue as a going concern is dependent on the continuing financial support of its ultimate parent company, Monitise plc.

At the date of signing of the financial statements, Monitise plc, has confirmed its financial support to the Company to enable it to continue trading and meet its day to day commitments for at least 12 months from the date of signing the financial statements.

b) Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services provided within the Company's ordinary activities, net of discounts and sales taxes. It comprises user generated revenues and development and integration services.

User generated revenue relates to revenue generated from all types of end-user activity and may take various forms including per user fees, click fees, commissions and revenue share, and includes associated managed services. This revenue is recognised as the services are performed.

Revenue relating to development and integration services contracted on a time and materials basis is recognised as the services are performed. Revenue relating to development and integration services identified as a service contract is recognised on a straight-line basis. Development and integration service revenue delivered under a fixed price contract is recognised on a percentage-of-completion basis, based on the extent of work completed as a percentage of overall estimated project cost, when the outcome of a contract can be estimated reliably. Determining whether a contract's outcome can be estimated reliably requires management to exercise judgement with their estimates being continually reviewed, as determined by events or circumstances. Provision is made as soon as a loss is foreseen.

Typically, a number of the above elements may be sold together as a bundled contract. Revenue is recognised separately for each component if it is considered to represent a separable good or service and a fair value can be reliably established. The Company may derive fair value for its services based on a reliable cost estimate plus an appropriate market-based margin. Where a product licence is included within a bundled arrangement, the residual value of the contract is ascribed to the product licence after a fair value has been allocated to all other components.

NOTES TO THE FINANCIAL STATEMENTS (continued)

1 Accounting policies (continued)

Amounts which meet the Company's revenue recognition policy which have not yet been invoiced are accounted for as accrued income whereas amounts invoiced which have not met the Company's revenue recognition criteria are deferred and are accounted for as deferred income until such time as the revenue can be recognised. Management makes an assessment of the certainty of any accrued revenue amounts in determining how much revenue to recognise.

c) Employee benefits

i Pension obligations

Contributions to defined contribution schemes are charged to the income statement as they become payable in accordance with the rules of the schemes.

ii Share-based payments

The ultimate parent undertaking, Monitise plc, operates a number of equity-settled, share-based compensation plans. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions (for example, service period and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. At each reporting date, the entity revises its estimates of the number of options that are expected to vest. It recognises the impact of the revision to original estimates, if any, in the Statement of comprehensive income, with a corresponding adjustment to equity. The proceeds received, net of any directly attributable transaction costs, are credited to share capital (nominal value) and share premium when the options are exercised, and the overall charge for those options is transferred from the share-based payment reserve to accumulated losses.

The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase in investments in subsidiary undertakings, with a corresponding credit to equity.

d) Dividends

Dividend income is recognised when payment has been received. Dividends paid are recognised in the year in which they are approved by the Company's shareholders.

e) Leases

Rental payments under operating leases are charged to the income statement on a straight-line basis over the period of the lease. Lease incentives and rent-free periods are amortised through the income statement on a straight-line basis over the period of the lease.

f) Taxation

Current tax, including UK corporation tax and overseas tax, is provided at amounts expected to be paid or recovered using the tax rates and laws that have been enacted or substantively enacted at the balance sheet date.

Deferred tax is provided in full on temporary differences between the carrying amount of an asset or liability in the balance sheet and its tax base.

Deferred tax liabilities represent tax payable in future periods in respect of taxable temporary differences. Deferred tax assets represent tax recoverable in future periods in respect of deductible temporary differences, and the carry-forward of unused tax losses and credits. Deferred tax is determined using the tax rates that have been enacted or substantively enacted at the balance sheet date and are expected to apply when the deferred tax asset is realised or the deferred tax liability is settled.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Current and deferred tax is recognised in the income statement except where it relates to an item recognised directly in reserves, in which case it is recognised directly in equity. Deferred tax assets and liabilities are offset where there is a legal right to do so in the relevant jurisdictions.

NOTES TO THE FINANCIAL STATEMENTS (continued)**1 Accounting policies (continued)****g) Inventories**

Inventories are stated at the lower of cost and net realisable value. Cost is the price paid less any rebates, trade discounts or subsidies. It also includes delivery charges and import duties, but does not include value added taxes or advertising and administration costs. Cost is based on the first-in, first-out (FIFO) principle. For inventories held for resale, net realisable value is determined as the estimated selling price in the ordinary course of business less costs to sell. For materials and consumables, provision is made for obsolete and slow moving inventories as required.

h) Intangible assets

Expenditure incurred in the development of software and hardware products, and their related intellectual property rights, is capitalised as an intangible asset only when technical feasibility has been demonstrated, adequate technical, financial and other resources exist to complete the development, which the Company intends to complete and use, future economic benefits expected to arise are deemed probable, and the costs can be reliably measured. Research costs and development costs not meeting these criteria are expensed in the statement of comprehensive income as incurred. Capitalised development costs are amortised as a charge to the statement of comprehensive income on a straight line basis over their useful economic lives, estimated on average at three years. Capitalised development costs for assets which are not yet in use are tested for impairment annually.

Amortisation on the assets is calculated using the straight-line method over their estimated useful lives as follows:

	Estimated useful economic life
Software	1-4 years
Capitalised development costs	3-4 years

No intangible assets are considered to have an infinite useful economic life.

i) Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition or creation of the items. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced item is derecognised. All other repairs and maintenance are charged to the statement of comprehensive income during the financial year in which they are incurred.

Depreciation on assets is calculated using the straight-line method to allocate their costs, over the lower of their estimated useful lives or term of lease, from the date at which normal revenue-generating activities begin, as follows:

	Estimated useful economic life
Office equipment	3-5 years
Computer equipment	3-5 years

j) Recoverable amount of non-current assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

NOTES TO THE FINANCIAL STATEMENTS (continued)**1 Accounting policies (continued)****k) Cash and cash equivalents**

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less, and bank overdrafts

l) Financial liabilities and assets*Financial liabilities*

Loans and other borrowings represent loans from the joint venture shareholders. All borrowing costs are recognised in the income statement in the year in which they are incurred. Borrowings are initially recognised at fair value, net of transaction costs and subsequently stated at amortised cost. Trade payables are recognised initially at fair value and subsequently held at amortised cost measured using the effective interest method.

Financial assets

The Company classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, and available for sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. The Company's loans and receivables comprise 'other receivables' and cash and cash equivalents in the balance sheet.

m) New and revised accounting standards

The impacts of new and revised standards have been summarised in the following tables differentiating between those changes impacting presentation and disclosure, those impacting reported results and financial position and those having no significant impact on the reported results or financial position.

- i) The following amendment to standards is mandatory for the first time for the financial year beginning 1 July 2012 but is not currently relevant for the Company, or has had no material impact:

	Effective date
Amendment to IAS 1 'Presentation of financial statements'	1 July 2012

- ii) The following new standards, amendments to standards and interpretations are mandatory for the first time for the financial year beginning 1 July 2013:

	Effective date
IFRS 13 'Fair value measurements'	1 January 2013
IAS 19 'Employee benefits' (revised 2011)	1 January 2013
Annual improvements 2011 – Amendments excluding those to IAS 1	1 January 2013
IFRS 1 'First-time adoption of IFRS' (amendments 2012)	1 January 2013
IFRS 7 'Financial instruments: Disclosures' (amendments 2011)	1 January 2013
Amendment to IAS 12 'Income taxes'	1 July 2013

The Directors do not anticipate that the adoption of any of the above standards, amendments or interpretations will have a material impact on the Group's financial statements on initial application.

- iii) The following new standards, amendments to standards and interpretations have been issued, but are not effective for the financial year beginning 1 July 2012 or 1 July 2013 and have not been early adopted:

NOTES TO THE FINANCIAL STATEMENTS (continued)**m) New and revised accounting standards (continued)**

	Effective date (subject to EU endorsement)
IFRS 10 'Consolidated financial statements'	1 January 2014
IFRS 12 'Disclosure of interests in other entities'	1 January 2014
Transition Guidance (Amendments to IFRS 10, IFRS 11 and IFRS 12)	1 January 2014
IAS 27 'Separate financial statements' (revised 2011)	1 January 2014
Amendment to IAS 36 'Impairment of assets' on recoverable amount disclosures	1 January 2014
Amendment to IAS 39 'Financial instruments: Recognition and measurement', on novation of derivatives and hedge accounting	1 January 2014
IFRIC 21 'Levies'	1 January 2014
IAS 32 'Financial instruments: Presentation' (amendments 2011)	1 January 2014
Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27)	1 January 2014
IFRS 9 'Financial instruments'	1 January 2015

The Company continues to monitor the potential impact of other new standards and interpretations which may be endorsed by the European Union and require adoption by the Company in future accounting periods

n) Foreign currency translation

The financial statements are presented in pounds sterling, which is the Company's functional and presentation currency

Items within the financial statements are rounded to the nearest thousand pounds

o) Equity

Ordinary shares are classified as equity at nominal value

p) Use of critical accounting estimates and judgments

Estimates and judgments used in the preparation of the financial statements are continually reviewed and revised as necessary. Whilst every effort is made to ensure that such estimates and judgments are reasonable, by their nature they are uncertain, and as such, changes in estimates and judgments may have a material impact in the financial statements. The principal balances in the financial statements where changes in estimates and judgments may have a material impact are as follows

Recoverable amount of non-current assets

All non-current assets, including intangible assets, are reviewed for potential impairment using estimates of the future economic benefits attributable to them. Any estimates of future economic benefits made in relation to non-current assets may differ from the benefits that ultimately arise, and materially affect the recoverable value of the assets

2 Revenue

All revenue relates to the Company's principal activity of facilitating purchases via mobile devices by consumers from affiliated UK businesses and is generated in the UK. Revenues of £151,000 (2012: £121,000) are derived from a single external customer

NOTES TO THE FINANCIAL STATEMENTS (continued)**3 Loss before interest and taxation**

Loss before interest and taxation is stated after charging

	2013 £'000	2012 £'000
Amortisation of intangible assets (note 8)	(1,222)	(722)
Depreciation of property, plant and equipment (note 9)	(41)	(27)
Employee benefit expense (note 4)	(2,102)	(2,032)
Rentals under operating leases - property		
- Fixed rent expense	(56)	(138)
Research and development expensed as incurred	(1,073)	(387)

Analysis of operating expenses

Operating expenses excluding amortisation and depreciation	(5,263)	(6,677)
Amortisation expense	(1,222)	(722)
Depreciation expense	(41)	(27)
	<u>(6,526)</u>	<u>(7,426)</u>

Remuneration paid to the Company's auditors is as follows

Audit of the Company	(20)	(25)
Tax compliance services	(3)	-
Total non-audit services	<u>(3)</u>	<u>-</u>
Total fees	<u>(23)</u>	<u>(25)</u>

4 Employee costs

The average monthly number of employees (including executive Directors) was

	2013 Number	2012 Number
Management and administration	5	6
Sales and technical	18	12
	<u>23</u>	<u>18</u>

The aggregate remuneration (excluding executive Directors) recognised in the Statement of comprehensive income comprised

	2013 £'000	2012 £'000
Wages and salaries	1,829	1,787
Social security costs	213	218
Share-based payments	15	-
Other pension costs	45	27
	<u>2,102</u>	<u>2,032</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)**4 Employee costs (continued)**

Compensation earned by key management, comprising the executive management team, was as follows

	2013 £'000	2012 £'000
Short term employee benefits	716	1,349
Post-employment benefits	15	14
	<u>731</u>	<u>1,363</u>

The average number of employees and Directors included within the definition of key management up to the date of acquisition on 10 December 2012 is 9 (2012 9). After the acquisition, the Company was managed as a subsidiary of Monitise Group Limited and the aggregate remuneration of key management personnel, including Directors, was borne by other Monitise Group companies, which make no recharge to the Company.

5 Directors' remuneration

	2013 £'000	2012 £'000
Aggregate emoluments	99	275
Company contributions to defined contribution schemes	3	7
	<u>102</u>	<u>282</u>

Remuneration of the highest paid Director

	2013 £'000	2012 £'000
Aggregate emoluments	67	187
Company contributions to defined contribution schemes	3	7
	<u>70</u>	<u>194</u>

No Directors had shares received or receivable under long-term incentive schemes. The number of Directors who are accruing benefits under defined contribution schemes is 1 (2012 1).

Following the acquisition on 10 December 2012 by Monitise plc, the aggregate remuneration of the three Directors was borne by other Monitise Group companies, which make no recharge to the Company. The Directors are directors of a number of fellow subsidiaries and the Directors do not consider it appropriate to allocate their emoluments to individual subsidiary companies. Their total emoluments are included in the Directors' emoluments disclosed in the financial statements of other Monitise Group companies.

6 Finance costs and finance income

Finance costs are analysed as follows

	2013 £'000	2012 £'000
Bank charges	4	3
Interest on loans from related parties (note 21)	227	330
	<u>231</u>	<u>333</u>

Finance income is analysed as follows

	2013 £'000	2012 £'000
Interest on cash and cash equivalents	2	4
	<u>2</u>	<u>4</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)**7 Income tax**

The income tax charge comprises

	2013 £'000	2012 £'000
Current tax		
UK corporation tax	-	1
Deferred tax		
Origination and reversal of timing differences	-	-
Income tax charge	-	1

The tax assessed for the financial year is higher (2012 higher) than the average standard rate of corporation tax in the UK for the year ended 30 June 2013 of 23.75% (2012 25.5%). The reconciliation is shown below

	2013 £'000	2012 £'000
Loss before income tax	(6,599)	(7,703)
Loss before income tax multiplied by the average UK standard rate of corporation tax at 23.75% (2012 25.5%)	(1,567)	(1,964)
Effects of		
Expenses not deductible for tax purposes	26	193
Tax losses for which a deferred tax asset has not been recognised	1,541	1,771
Adjustments in respect of prior periods	-	1
Total tax in the Statement of comprehensive income	-	1

The Company has an unrecognised deferred tax asset of £3,699,000 relating to unutilised trading losses at 30 June 2013 (2012 £1,667,000). A deferred tax asset has not been recognised in respect of these losses where it is the view of the Directors that future taxable profits are not deemed probable to be available in the short term to offset against these losses.

With effect from 1 April 2013, the UK main corporation tax rate changed from 24% to 23%. The main corporation tax rate will further reduce from 23% to 21% effective from 1 April 2014 and from 21% to 20% effective from 1 April 2015. These rate changes were substantively enacted on 2 July 2013.

NOTES TO THE FINANCIAL STATEMENTS (continued)**8 Intangible assets**

	Research and development £'000	Software £'000	Total £'000
Cost			
As at 1 July 2011	846	90	936
Additions	2,547	304	2,851
As at 30 June 2012	3,393	394	3,787
Accumulated amortisation			
As at 1 July 2011	-	-	-
Charge	645	77	722
As at 30 June 2012	645	77	722
Net book value			
As at 1 July 2011	846	90	936
As at 30 June 2012	2,748	317	3,065
Cost			
As at 1 July 2012	3,393	394	3,787
Additions	-	-	-
As at 30 June 2013	3,393	394	3,787
Accumulated amortisation			
As at 1 July 2012	645	77	722
Charge	1,092	130	1,222
As at 30 June 2013	1,737	207	1,944
Net book value			
As at 1 July 2012	2,748	317	3,065
As at 30 June 2013	1,656	187	1,843

Amortisation of intangible assets is included within Operating expenses in the Statement of comprehensive income

NOTES TO THE FINANCIAL STATEMENTS (continued)**9 Property, plant and equipment**

	Computer equipment £'000	Office equipment £'000	Total £'000
Cost			
As at 1 July 2011	75	22	97
Additions	2	21	23
Disposals	-	(2)	(2)
As at 30 June 2012	77	41	118
Accumulated depreciation			
As at 1 July 2011	-	4	4
Charge	17	10	27
Disposals	-	(1)	(1)
As at 30 June 2012	17	13	30
Net book value			
As at 1 July 2011	75	18	93
As at 30 June 2012	60	28	88
Cost			
As at 1 July 2012	77	41	118
Additions	-	2	2
As at 30 June 2013	77	43	120
Accumulated depreciation			
As at 1 July 2012	17	13	30
Charge	26	15	41
As at 30 June 2013	43	28	71
Net book value			
As at 1 July 2012	60	28	88
As at 30 June 2013	34	15	49

10 Inventories

	2013 £'000	2012 £'000
Finished goods	-	2

NOTES TO THE FINANCIAL STATEMENTS (continued)**11 Trade and other receivables**

	2013 £'000	2012 £'000
Current		
Trade receivables	72	157
Less provision for impairment	(72)	-
Trade receivables - net	-	157
Prepayments	20	165
Other receivables	34	60
Total current receivables	54	382

The aging of gross trade receivables is as follows

	2013 £'000	2012 £'000
Not yet due	-	65
0 to 2 months	-	92
2 to 4 months	18	-
Over 4 months	54	-
	72	157

Movements on the Company's provision for impairment of trade receivables and accrued income is as follows

	2013 £'000	2012 £'000
As at the beginning of the financial year	-	-
Provision for impairment	(72)	-
As at the end of the financial year	(72)	-

Trade receivables are considered impaired if they are not considered recoverable. As at 30 June 2013, all trade receivables which were past due have been impaired (2012 £92,000)

12 Cash and cash equivalents

	2013 £'000	2012 £'000
Cash at bank and in hand	63	573

All cash and cash equivalents are available on demand. The Directors consider that the carrying amount of these assets approximates to their fair value.

13 Loans and other borrowings

	2013 £'000	2012 £'000
Loans and other borrowings comprise		
Non-current		
Loans from JV partners	-	12,154
Loans and other borrowings	-	12,154

NOTES TO THE FINANCIAL STATEMENTS (continued)**13 Loans and other borrowings (continued)**

Loans were charged at a rate of interest equal to LIBOR + 3% and carried no fixed repayment terms. As part of the acquisition of the Company by Monitise plc the outstanding loans were capitalised in December 2012 (see Directors' report)

Securities and guarantees

No securities or guarantees have been granted over assets of the Company

14 Trade and other payables

	2013 £'000	2012 £'000
Current		
Trade creditors	348	161
Other taxes and social security costs	76	88
Other payables	15	52
Accruals	372	1,177
Amounts owed to Group undertakings	1,382	-
Trade and other payables	2,193	1,478

The Company's trade and other payables are denominated in pounds sterling

The Directors consider that the carrying amount of trade and other payables approximates to their fair value

Amounts owing to group undertakings are non-interest bearing loans and are repayable on demand

15 Provisions

	Provisions for litigation £'000
As at 1 July 2012	-
Charged to profit or loss	
Litigation	87
Used during the year	-
As at 30 June 2013	87
Due within one year	87
Due after one year	-

The above provision relates to a dispute with a former employee of the Company

These costs are likely to be incurred within the next 18 months and, due to the nature of these claims, uncertainties exist around the timing and amounts to be incurred

NOTES TO THE FINANCIAL STATEMENTS (continued)**16 Financial risk management**

The book values and fair values of the Company's financial assets and liabilities are as follows

	2013 Loans and receivables £'000	2013 Book value £'000	2013 Fair value £'000
Financial assets			
Cash and equivalents	63	63	63
Trade and other receivables	34	34	34
	<u>97</u>	<u>97</u>	<u>97</u>
	2013 Financial liabilities at amortised cost £'000	2013 Book value £'000	2013 Fair value £'000
Financial liabilities			
Trade and other payables	(2,117)	(2,117)	(2,117)

Financial risk management policies

The financial instruments of the Company consist of cash and cash equivalents, other payables, other receivables and, up to the date of acquisition, loans from the JV partners

Interest rate risk

The Company's interest rate risk arose on cash and cash equivalents and loans from the JV partners who were based on an interest rate of LIBOR + 3%

The sensitivity of cash and cash equivalents and loans to movements in interest rates has been calculated to be £61,000 based on a 1% movement in the interest rate. This hypothetical analysis has been prepared on the assumption that the year-end positions prevail throughout the year, and therefore may not be representative of fluctuations in actual levels of cash and cash equivalents, loans and other borrowings

Credit risk

Other receivables primarily comprise balances due from HMRC for VAT as such these are considered to carry limited credit risk exposure. Provision is made for any receivables that are considered to be irrecoverable

Liquidity risk

Funding was provided to the Company based on the JV agreement. Repayment was in accordance with the JV agreement with no fixed repayment terms. Loans were charged at a rate of interest equal to LIBOR + 3% and carry no fixed repayment terms. As part of the acquisition of the Company by Monitise plc (see Directors' Report) the outstanding loans were capitalised. The Company manages its exposure to liquidity risk by regularly reviewing the long-term and short-term cash flow projections for the business. The table below analyses the Company's financial liabilities into relevant maturity groups based on the remaining period from the end of the reporting year date to the contractual maturity date. Amounts disclosed are the contractual undiscounted cash flows

NOTES TO THE FINANCIAL STATEMENTS (continued)**16 Financial risk management (continued)**

	As at 30 June 2013			
	Less than	Between	Between	Over
	1 year	1 and 2	2 and 5	5 years
	£'000	£'000	£'000	£'000
Trade and other payables	2,117	-	-	-

	As at 30 June 2012			
	Less than	Between	Between	Over
	1 year	1 and 2	2 and 5	5 years
	£'000	£'000	£'000	£'000
Trade and other payables	1,478	-	-	-
Loans and JV partners	-	-	-	12,154

Capital risk management

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern in order to provide future returns for investors and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The Company can access funding from other Monitise Group companies to meet its financial obligations as they fall due if necessary.

17 Share capital

	Ordinary shares		Ordinary A shares		Share premium
	Number of shares	£'000	Number of shares	£'000	
Issued, called up and fully paid					
As at 1 July 2011	100,000	100	-	-	-
Issue of new shares	6,250	6	-	-	-
Subdivision of shares to nominal value of £0.10	956,250	-	-	-	-
Issue of new shares	-	-	65,625	7	-
As at 30 June 2012	1,062,500	106	65,625	7	-
Issue of new shares	3	-	-	-	15,835
Conversion to Ordinary shares	65,625	7	(65,625)	(7)	-
As at 30 June 2013	1,128,128	113	-	-	15,835

Ordinary shares had a nominal value £0.10 at 30 June 2013 and carried one vote per share and the right to dividends. Shares issued during the year relate to the capitalisation of outstanding loans from joint venture partners on acquisition of the Company by Monitise plc.

Ordinary A shares had a nominal value of £0.10 at 30 June 2012 and carried no voting rights and no rights to dividends. During the year ended 30 June 2013, these shares were converted to Ordinary shares.

NOTES TO THE FINANCIAL STATEMENTS (continued)**18 Other reserves**

	Accumulated losses £'000	Share-based payments reserve £'000
As at 1 July 2011	(1,931)	-
Loss for the financial year and total comprehensive loss	(7,704)	-
As at 30 June 2012	(9,635)	-
Loss for the financial year and total comprehensive loss	(6,599)	-
Share-based payment (note 23)	-	15
As at 30 June 2013	(16,234)	15

19 Commitments under operating leases

As of the date of signing of the financial statements, the Company has no commitments under operating leases

20 Pension arrangements

The Company provides defined contribution pension benefits to a number of employees, the cost of which for the year was £45,000 (2012 £27,000)

21 Related party transactions

During the year, the Company had the following disclosable transactions with related parties

	2013 £'000	2012 £'000
Sale of services		
Best Buy Europe (JV partner)	163	121
Expense for services received		
Monitise International (JV partner)	1,631	3,520
Monitise International (parent)	606	-
Best Buy Europe (JV partner)	107	122
Interest expense on loans payable		
Monitise International (JV partner)	108	151
Best Buy Europe (JV partner)	108	151
Hamilton Trust (JV partner)	11	28
All products and services were provided at market rates		
Trade and other receivables		
Monitise International	-	8
Best Buy Europe	-	145
Trade and other payables		
Monitise International	-	-
Best Buy Europe	-	26
Loans payable		
Monitise International	1,538	5,734
Best Buy Europe	-	5,734
Hamilton Trust	-	686

The Company procured services from Chi & Partners Limited, a company controlled by a Director of the Company totalling £103,000 during the year (2012 £601,000)

NOTES TO THE FINANCIAL STATEMENTS (continued)**22 Reconciliation of net loss to net cash used in operating activities**

		2013 £'000	2012 £'000
Loss before income tax		(6,599)	(7,703)
Adjustments for			
Depreciation	9	41	27
Loss on disposal		-	1
Amortisation	8	1,222	722
Share-based payments	23	15	-
Net finance cost		229	329
Operating cash flows before movements in working capital		(5,092)	(6,624)
(Increase)/decrease in trade and other receivables		317	(256)
(Decrease)/increase in trade and other payables		348	(198)
(Increase)/decrease in inventory		2	(2)
Net cash flows used in operating activities		(4,425)	(7,080)

23 Share-based payments

As part of the Monitise Group, Mobile Money Network Limited participates in a number of equity settled share-based payments plans administered by Monitise plc in which options are issued over shares in Monitise plc. A summary of the main terms of the arrangements is given below, with particular reference made to the terms of those grants for which the share-based payment expense has been recognised.

Performance Share Plan (PSP)

A Performance Share Plan (PSP) is in place for senior management. Up to 25 March 2010, options over shares were awarded conditional on the achievement of performance conditions with vesting after three or five years subject to the senior management remaining employed by the Monitise Group. On 25 March 2010, shareholders approved a change in the plan rules, allowing for share options to be issued under this plan with no performance conditions, such that for the option to vest, staff must remain as employees of the Monitise Group over a three year period.

For the five year plan, one fifth of the options vest, subject to the achievement of performance conditions, on the first anniversary of the grant date and again by a further fifth at each subsequent annual anniversary date. Upon vesting, options may be exercised at any time until the tenth anniversary of the date of grant.

Movements in the number of share options and their related weighted average exercise prices are as follows:

	2013	
	Number of options	Weighted average exercise price
As at 1 July	-	-
Options in respect to staff transferred from the Company to other Monitise Group companies	50,000	1 0p
Granted	450,500	1 0p
Exercised	-	-
Lapsed	-	-
As at 30 June	500,500	1 0p

At June 2013, no options were exercisable (2012: nil). Options outstanding at 30 June 2013 have an exercise price of 1p.

NOTES TO THE FINANCIAL STATEMENTS (continued)**23 Share-based payments (continued)*****Assumptions used in the valuation of share-based payments***

In calculating the fair value of equity-settled share-based payment arrangements, the Monitise Group has used a Monte Carlo model in cases where market-based performance conditions have to be met and the Black Scholes model where the share option has only non-market conditions

Management have made a number of assumptions in respect of the calculation of an IFRS 2 charge for the Monitise Group's employee share option schemes. The following table gives the assumptions made during the year ended 30 June 2013

Scheme name	PSP
Grant date	12 Apr 2013
Share price at issue date	£0.355
Exercise price	£0.010
Fair value per option	£0.1860
Number granted	1,989,000
Valuation method	Monte Carlo
Vesting hurdles	Share price linked as set out below
Risk free rate used in valuation	0.31%
Expected dividend yield used in valuation	-
Volatility used in valuation	45%
Expected life (years)	3.00
Expected exercise date used in valuation	12 Apr 2016

24 Events after the reporting period

There were no post balance sheet events that had a material impact on the financial statements

25 Ultimate parent company and controlling party

The immediate parent undertaking is Monitise International Limited. The hive-down of 50% of the Company from Monitise plc to Monitise International Limited was completed following the acquisition by Monitise plc.

The ultimate parent undertaking and controlling party is Monitise plc, a company incorporated in England and Wales. Monitise plc is the parent undertaking of the smallest and largest group of undertakings to consolidate these financial statements at 30 June 2013. The consolidated financial statements of Monitise plc are available from the registered office, 95 Gresham Street, London EC2V 7NA.